



Cleveland District Office News

Information for the Small Business Community

September 2005

U.S. Small Business Administration Cleveland District Office

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For More Information SBA Home Page: www.sba.gov

- SBA offices are located in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam.
- For the office nearest you, look under "U.S. Government" in your telephone directory, or call the SBA Answer Desk.
- SBA Answer Desk:
1-800 U ASK SBA
- Fax: 202-205-7064
- E-mail: answerdesk@sba.gov
- TDD: 704-344-6640
- Your rights to regulatory fairness:
1-800-REG-FAIR

SBA REVISES LOAN APPLICATION FORMS

SBA has issued new versions of SBA Form 4, (Application for Business Loan), SBA Form 4-Schedule A (Schedule of Collateral), and SBA Form 4-1 (Lender's Application for Guaranty or Participation). The revised forms are now mandatory and can be downloaded from SBA's website at www.sba.gov/library. Previous versions of these forms are obsolete since they do not contain the changes incorporated in the revised versions. The changes to the forms include the following:

Form 4-I: This form must be completed by the lender for each 7(a) loan application that submits a Form 4. One of the changes to the form is the addition of a block asking the lender to indicate the small business loan applicant's North American Industry Classification System (NAICS) code which identifies each type of small business and is used by SBA to establish size standards for "small" versus "not small." SBA financial assistance programs are only available to business borrowers that are determined to meet SBA's size standards for "small."

Form 4: The existing Form 4 asks for information concerning the applicant. One of the questions is about the applicant's other Government debt. As revised, the instructive language is re-phrased to provide clearer guidance to the applicant about what information to include in this section. We also have revised the instructive language regarding identification of assistance the borrower has received in completing Form 4. Another change in this form is that the applicant will no longer be asked whether he or she is a Vietnam Era Veteran but will instead be asked to indicate whether he or she is a Service Disabled Veteran. Pursuant to Public Law 106-50, SBA must report to Congress on loan activity for Service Disabled Veterans. We also have clarified the questions regarding exporting in order for SBA to better determine the number of businesses assisted by a 7(a) loan that export and the amount of export sales the loan will support. In addition, we have added a question to identify those SBA applicants that have received counseling or training from SBA.

Form 4, Schedule A: (This is an optional form.) This form as revised requires the lender to list the manufacturer, make, model, etc. of only those personal property items to be taken as collateral that exceed \$5,000 in value. Previously, it was those items exceeding \$500. Therefore, the detailed listing will not include such items as personal computers, printers and so on and will be far less burdensome. ♦

Reminder -- The new address of the SBA Cleveland District Office is:

1350 Euclid Avenue, Suite 211 Cleveland, Ohio 44115-1815
Please update your records!

Small Business Drives the U.S. Economy: Provides Jobs for Over Half of the Private Workforce

The latest figures show that small businesses with fewer than 20 employees increased employment by 853,074 during 2001-2002.

These and other statistics outlining small business' contribution to the economy are contained in the *Small Business Profiles for the States and Territories, 2005 Edition* issued by the Office of Advocacy of the U.S. Small Business Administration (SBA).

Small businesses are job creators. Office of Advocacy funded data and research shows that small businesses represent 99.7 percent of all firms, they create more than half of the private non-farm gross domestic product, and they create 60 to 80 percent of the net new jobs.

In 2004, there were an estimated 23,974,500 businesses in the U.S. Of the 5,683,700 firms with employees, 5,666,600 were small firms (fewer than 500 employees).

The latest data also show that in 2002 women owned 6,492,795 firms; Blacks owned 1,197,988 firms; Hispanics owned 1,574,159 firms; Asians owned 1,105,329 firms; and American Indians and Alaskan Natives owned 206,125 firms.

In 2004, there was strong growth of 7.3 percent in proprietor's income - a partial measure of small business income. Business bankruptcies decreased by 2.1 percent and self-employment increased by 2.2 percent.

This and other data for each state and territory are available in individual economic profiles on the Office of Advocacy website at www.sba.gov/advo/research/profiles. ♦

News for SBA Lenders...

The SBA is dedicated to assisting the nation's small businesses in meeting their financing needs, but the Agency can only accomplish this mission with the help of you, our partners in the lending community.

We join with you to help reduce your risk and therefore enhance your ability to provide long and short-term loans to small businesses through the SBA loan guaranty programs.

Your bank's ability to reduce its risk is, however, only as good as the guaranty that you receive from SBA. When a lender accepts SBA's guaranty on a loan, the lender also accepts certain responsibilities in order to maintain the guaranty.

These responsibilities include a determination that the borrower, the use of the loan proceeds, and the loan structure meet SBA's requirements. In addition, all the lender's actions when approving, closing, disbursing, and servicing the loan (including liquidation activity) must meet prudent lending standards and comply with applicable SBA policies and procedures. A lender risks an alteration of SBA's guaranty (including full denial of liability) if these requirements are not met.



Some of the most common deficiencies leading SBA to recommend a cancellation, denial or repair of its guaranty (at the time the lender requests that SBA honor its guaranty) are:

- 1) Unauthorized, improper, uncontrolled, or undocumented disbursement of loan proceeds.
- 2) Failure to obtain or adequately document a required equity injection.
- 3) Failure to obtain required collateral or properly perfect lien position.
- 4) Failure to obtain proper IRS verification of applicant financial statements at loan inception, especially in cases where there is an early default on the SBA loan.
- 5) Failure to properly follow SBA's liquidation guidelines (i.e. making timely site visits, identifying & securing collateral, etc.)

We strongly urge our lending partners to become up to date on SBA's policies and procedures by visiting our Banking Homepage at: <http://www.sba.gov/banking/>. The Cleveland District Office's Lender Relations Division is also available to provide training for your bank. If interested, please contact us at (216) 522-4180. ♦

Nominations for SBA 2006 Small Business Week Awards Now Being Accepted

Nomination guidelines at:

<http://www.sba.gov/nominationsguideline.html>

or by calling the SBA Cleveland Office at 216-522-4180, ext. 215
Deadline for submissions to the Cleveland office is Nov. 4, 2005

Veteran Business Owners: Conference Slated for November

A multi-state conference designed to help military veterans who are current or prospective business owners will be held November 3 on the campus of Lorain County Community College. The conference, the 3rd annual Veteran Owned Business Symposium, is presented by the Northern Ohio Procurement Technical Assistance Centers (PTAC), in cooperation with the U.S. Small Business Administration and Lorain National Bank, the major corporate sponsor for the conference.

More than 300 veteran business owners from Ohio, Indiana, western Pennsylvania and southern Michigan are expected to attend the conference, which will be held at the John A. Spitzer Conference on the campus of Lorain County Community College (LCCC) in Elyria, Ohio. Registration begins at 7 a.m. and the conference is scheduled from 8 a.m. to 4 p.m. The conference will cover several topics important

to business owners with a special focus on how veteran business owners can access federal agencies for contract work. One feature of the conference will be a special computer lab to help attendees easily access the federal agencies. Other major seminar sessions will cover procurement, marketing and entrepreneurship. The conference also provides an excellent networking opportunity.



Dr. Roy A. Church, president of Lorain County Community College, said, "We are honored to open our doors to veteran business owners in our region. The college's state-of-the-art John A. Spitzer Conference Center provides a highly appropriate setting for us to provide expanded educational and training opportunities to the business community."

Daniel E. Klimas, president and chief executive officer of Lorain National Bank, said, "We consider it a great privilege to sponsor this conference for veteran business owners. As an integral part of our local economy, small businesses are an important part of our customer base and we believe this conference will be an excellent resource for them."

"We are excited to hold our Veteran Owned Business Symposium at Lorain County Community College. The campus is easily accessible from Interstate-90 and the Ohio Turnpike," said Bob Fenn, PTAC regional director. "We believe this conference will greatly benefit those entrepreneurs who want firsthand knowledge of how to expand their businesses and access the

government contracting environment." For further information on the conference and how to register, please visit the PTAC link at www.lcedc.org or call (440) 357-2294.

PTAC is a network of counseling offices, offering free help to small and mid-sized businesses interested in selling their products and services to federal, state and local government agencies.

The U.S. Small Business Administration's goal is to maintain and strengthen the nation's economy by aiding, counseling, assisting and protecting the interests of small businesses and by helping families and businesses recover from national disasters.

LNB Bancorp, Inc. is a \$791.1 million financial holding company with two wholly owned subsidiaries: The Lorain National Bank and Charleston Insurance Agency, Inc. and a 49-percent owned subsidiary, Charleston Title Agency, LLC. LNB Mortgage LLC and North Coast Community Development Corporation are wholly owned subsidiaries of The Lorain National Bank. Brokerage services are provided by the bank through an agreement with Online Brokerage Services. For more information about LNB Bancorp, Inc., visit us at <http://www.4lnb.com>.

Lorain County Community College and its University Partnership have assembled a comprehensive package of programs and services to support business growth and foster the entrepreneurial spirit within our region. LCCC has developed a public/private partnership with the Lorain County Commissioners and the Lorain County Chamber of Commerce to create the Great Lakes Innovation and Development Enterprise (GLIDE), a regional innovation center and resource hub that supports the start-up and growth of business. For more information visit. www.lorainccc.edu. ♦

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SBA to Assist Victims of Katrina

Following the announcement of Presidential disaster declarations in Alabama, Louisiana and Mississippi as a result of Hurricane Katrina, SBA Administrator Hector V. Barreto issued the following statement:

“Our hearts go out to the victims of Hurricane Katrina. The U.S. Small Business Administration is ready to assist those hurt by this powerful storm. As a result of President Bush’s declaration of a federal disaster we will be swift in our efforts, along with our partners at the Federal Emergency Management Agency, to help people rebuild their lives. SBA officials will be in the affected cities and communities very soon to begin offering our assistance.”

“SBA has always had a strong commitment to disaster victims. To show our continued commitment to hurricane victims, SBA will have loan officers in every federal/state disaster recovery center that is opened. SBA is also prepared to provide help in other states in the eastern half of the country where this powerful storm may also lead to disaster area declarations. We’ve been there before, and we’re ready to provide recovery aid again,” Barreto said.

UPDATE ON LOANS As of August 31, 2005

7(a) Loans

Bank	Number of Loans	Dollars (in thousands)
Charter One Bank	1,599	\$53,554
National City Bank	263	\$31,709
US Bank	152	\$11,028
FirstMerit Bank	138	\$18,565
Sky Bank	127	\$26,658

504 Loans

CDC	Number of Approvals	Total (\$\$s) of 504 Loans Approved
Growth Capital Corp.	27	\$11,192,000
Cascade CDC Corp.	25	\$12,416,000
Lake County SBAC	20	\$6,515,000
Lucas County Improvement Corp.	10	\$1,982,000
Mahoning Valley Econ. Dev. Corp.	8	\$4,034,000
Stark Dev. Board Finance Corp.	8	\$2,972,000
Ohio Statewide Development Corp.	2	\$517,000
West Central Partnership	1	\$491,000
Mentor Econ. Development Corp.	1	\$372,000

Lender	Number of 504s
KeyBank	22
JPMorgan Chase Bank	14
FirstMerit Bank	13
National City Bank	10
Huntington Bank	7

SBA offers loans up to \$200,000 to repair disaster damaged primary residences. Homeowners and renters are eligible for loans up to \$40,000 to replace personal property such as furniture and clothing. Loans to businesses of all sizes and non-profit organizations are available up to \$1.5 million to repair damage to real estate, machinery, equipment and inventory. Economic Injury Disaster Loans (EIDLs) are also available to small businesses unable to pay bills or meet operating expenses. Interest rates can be as low as 2.68 percent for homeowners and renters and 4 percent for businesses with terms up to 30 years. Loan amounts and terms are set by SBA and are based upon each applicant’s financial condition.♦

Residents and business owners in the affected areas can begin the disaster application process by registering online with FEMA at www.fema.gov, or by calling 1-800-621-FEMA (3362), or 1-800-462-7585 (TTY) for the hearing and speech impaired. The toll-free numbers will operate 24 hours daily until further notice. Details on the location of recovery centers and loan application deadlines will be provided as the information becomes available. For more information, visit SBA’s Web site at www.sba.gov/disaster.